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ALLTEL

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January 29, 1997

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JAN 29 1997

Federal Communications Commission
Office of Secretary

Mr. William F. Caton
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

Re: CC Docket 96-262
Access Charge Reform

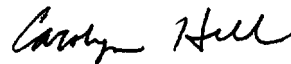
Dear Mr. Caton:

Enclosed for filing please find an original and twelve copies of the Comments of ALLTEL Telephone Services Corporation ("ALLTEL"), in the referenced rulemaking proceeding.

In response to the Commission's Notice of Proposed Rulemaking, I have also enclosed a copy of the comments, in DOS PC compatible form, in WordPerfect 5.1 for Windows format, in "read only" mode.

Please address any questions respecting this matter to the undersigned counsel.

Very truly yours,



Carolyn C. Hill

CCH/ss

Enclosures

cc: (w/2 copies of Pleading)
Competitive Pricing Division
Common Carrier Bureau
1919 M Street, N.W.
Room 518
Washington, D.C. 20554

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of)
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)
Price Cap Performance Review)
for Local Exchange Carriers)
)
Transport Rate Structure)
and Pricing)
)
Usage of the Public Switched)
Network by Information Service)
and Internet Access Providers)

CC Docket No. 96-262

CC Docket No. 94-1

CC Docket No. 91-213

CC Docket No. 96-263

To: The Commission

COMMENTS

ALLTEL Telephone Services Corporation

**Carolyn C. Hill
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Its Attorney

Comments
ALLTEL Telephone Services Corporation
January 29, 1997

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SUMMARY

Access reform is of fundamental importance to all local exchange carriers ("LECs"), including the ALLTEL rate of return companies. However, the instant proceeding is inappropriately focused on limiting access reform to incumbent price cap companies. ALLTEL strenuously objects to this approach. Rate of return companies are not insulated from the effects of competition. Competition and its impacts will not stop at the borders of the exchanges of rate of return companies.

Price cap status must not be a prerequisite for access reform. Rather, there must be fair and equitable consideration afforded to all. Many of the markets served by ALLTEL are adjacent to major metropolitan areas. This adjacency creates very low economic and/or financial thresholds for competitors to overcome. Competitors will be large, multi-product firms with a variety of telecommunications services to offer. They are not competing solely for local, access, or toll service. They are targeting high volume retail customers with a complete package of telecommunication services.

The protection envisioned by the Commission with respect to rate of return LECs is thin at best. It is imperative that ALLTEL be given pricing flexibility now. Limiting such pricing flexibility to incumbent price cap LECs will only serve to create further economic distortions by increasing the disparity between access prices in the metropolitan areas served by the price cap LECs and in adjacent areas served by rate of return LECs. This disparity then creates an immediate potential for competitive entry regardless of the true economics of entering that market. The outcome is that

competitors rather than competition are advanced.

To address the reality of the competitive marketplace, the Commission should grant pricing flexibility now to rate of return LECs. An initial step should be the elimination of the required waiver of Part 69 in order for a LEC to provide new services.

ALLTEL agrees that there are specific changes in the current interstate access rate structure that should be made for all LECs. However, ALLTEL disagrees that this can be achieved by changing the current application of the subscriber line charge. This could be viewed as an unwarranted local rate increase and cause end users to make uneconomic decisions regarding their telecommunications services. With respect to the recovery of the other carrier common line costs, ALLTEL advocates replacing the current minute of use charge with an approach not tied to prescribed lines. A bulk billing approach based on an IXC's percentage share of historic interstate minutes of use should be adopted.

The current local switching rate structure does require adjustment. To accomplish this, ALLTEL supports the addition of a new flat rate element for the NTS portion of local switching costs associated with line cards. This rate element should be billed to an IXC based on its percentage of interstate minutes of use.

The method of setting tandem-switched transport rates based on nine thousand (9,000) minutes of use per trunk should be revised. ALLTEL's data indicates that our usage is approximately four thousand (4,000) minutes per month, per trunk. The TIC

costs are real costs which have been identified by ALLTEL. A significant percentage can easily be reassigned on a cost-causative basis, and the remainder of the TIC costs addressed in the separations reform proceeding. Until this is completed, a mechanism should be adopted that allows the continued explicit recovery of the fully embedded transport costs.

Switched access rate reductions should be restricted to adjustments for removal of the current implicit subsidies of LTS and DEM weighting from access rates.

The current rigid rate structure and the Part 69 rules offer only the most limited pricing flexibility to rate of return LECs and should be revised now. Access prices need to be deaveraged on a geographic basis as well as a customer type/size basis. Without pricing flexibility, the ability of rate of return LECs to remain viable entities is tied to regulators.

ALLTEL does not have the market power or pricing controls to disadvantage customers or competitors. We urge the Commission to move now to a flexible pricing scheme for rate of returns LECs, closely followed by an expedited process for removing interstate access services from regulation.

**Before the
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**Comments of
ALLTEL Telephone Services Corporation**

ALLTEL Telephone Services Corporation, on behalf of its local telephone exchange carrier affiliates (hereinafter "ALLTEL" or the "ALLTEL Companies"), respectfully submits its comments on the Commission's Notice of Proposed Rulemaking ("NPRM") released December 24, 1996, in the above-captioned matter.

INTRODUCTION

With the institution of this proceeding on access reform, the Commission completes the trilogy of proceedings which are designed to establish a new regulatory paradigm to advance competition, reduce regulation in telecommunications markets,

and, at the same time preserve and advance universal service to all Americans. These three proceedings on interconnection, universal service, and access reform open the door to unparalleled changes in the telecommunications industry, with significant impacts to the market segment comprised of rate of return companies.

This proceeding on access reform has been long-promised, long-awaited, and long-overdue. The Telecommunications Act of 1996 ("96 Telecom Act"), the Commission's Interconnection decisions, and the Federal-State Joint Board's Recommended Decision in the Universal Service proceeding have all magnified and intensified the immediate need for access reform for rate of return companies, such as the ALLTEL Companies. The issues presented in the instant NPRM are fundamental and basic issues, the resolution of which will affect the ability of the ALLTEL Companies to be viable participants in the competitive marketplace envisioned in the 96 Telecom Act.

Despite the fundamental importance of access reform to all local exchange carriers ("LECs"), the Commission has inexplicably proposed a dual track process which ties regulatory relief to the interstate mode of regulation employed by the LEC. Thus, the focus of this proceeding, with some exceptions, is limited to access reform for incumbent LECs subject to price cap regulation. (NPRM p. 26). Rate of return LECs must await a separate proceeding which is contemplated sometime in 1997. That inquiry will be confined to addressing whether substantial changes in Part 69 cost allocation rules are needed for the development of access charges for rate of return

companies. (*Id.* at 27.) ALLTEL strenuously objects to this approach. As discussed herein, rate of return companies are not insulated from the effects of competition. Competition and its impacts will not stop at the border of the exchanges of rate of return companies. As justification for the delayed consideration of access reform for rate of return companies, the Commission concludes that "many, if not all, non-price cap incumbent LECs may be exempt from, or eligible for a modification or suspension of, the interconnection and unbundling requirements of the 1996 Act." (*Id.*) In ALLTEL's view, this is a flawed basis for exclusion of rate of return companies from access reform relief. The Section 251 (f) exemption, suspension, or modification provisions cited by the Commission are not within its province to confer. Rather, the decision to grant suspension, exemption, or modification is within the province of the individual state commission. The grant of such is far from a "given". Moreover, in its First Report and Order in the Interconnection proceeding, CC Dkt. 96-98, the Commission said it viewed the grant of these as being the exception rather than the rule, of limited duration, and not intended to insulate smaller and rural LECs from competition. (First Report and Order, par. 1262)

ALLTEL is concerned that rate of return companies not be singled out by the Commission for disparate treatment or handicapped vis à vis other carriers. The instant proceeding is but one current example. Another is the Commission's NPRM in CC Dkt. 97-11 on Section 214 forbearance. Therein, on page 24 of the NPRM, the Commission proposes to exclude rate of return companies from the same regulatory

forbearance applied to price cap LECs, average schedule LECs, and all non-dominant carriers whether they are offering local or long distance service. The justification for the proposed exclusion is that rate of return companies, because of the method of rate regulation applied to them, can allegedly “gold plate” their facilities and also that they lack external constraints on their ability to pass such costs on to telephone service ratepayers. (Implementation of Section 402(b)(2)(A) of the Telecommunications Act of 1996, released January 13, 1997.)

ALLTEL is alarmed by this mind-set. In the first place, the Commission’s premise for delaying access reform for rate of return LECs is incorrect. In the second place, this is not an enlightened approach to regulatory reform. Instead, it is an approach that appears to be punitive in nature. Price cap status must not a prerequisite for regulatory reform. Fair and equitable consideration and treatment must be afforded to all. This objective can be achieved by (1) adoption of meaningful access reform measures, such as pricing flexibility for rate of return LECs, and (2) a sound basis for any conclusions and proposed actions regarding the ability of one set of carriers - in this instance, rate of return carriers - to “game” the system.

I. THE NEED FOR ACCESS REFORM EXISTS REGARDLESS OF REGULATORY CONSTRUCT

A. Price Cap Regulatory Status is not a Determinant of Competition

The ALLTEL Companies are located in fourteen states and collectively have approximately 1.6 million access lines. The ALLTEL Companies are “rural telephone” companies within the meaning of Section 153(37) of the Communications

Act. Though by definition these companies are classified as "rural," they nonetheless face increasing competitive pressures as the interexchange and local landscapes are reshaped and as barriers to entry are dismantled. The ALLTEL Companies are not immune to or insulated from the effects of competition. In areas, such as Cleveland, Atlanta, Houston, Charlotte, and Pittsburgh, exchanges of ALLTEL Companies neighbor large metropolitan markets.¹ The proximity of many ALLTEL exchanges to areas in which competition has emerged,² places considerable pressure on all incumbent LECs' prices in those areas. In this situation, if access charge reform is limited to price cap LECs, the disparity between access prices in the metropolitan areas served by the price cap LECs and any surrounding areas served by rate of return LECs will increase. This disparity in rates will then create an immediate potential for competitive entry regardless of the true economics of entering that market and individual high volume customers in markets adjacent to those metropolitan areas will become the initial targets of competition. Furthermore, the effects of an averaged, highly distortive access charge structure will tend to push uneconomic entry into even more rural markets. Geographic service boundaries or the form of regulation applied to the LEC therefore become meaningless distinctions when competitors evaluate their entry strategies.

¹ ALLTEL has over 350,000 lines in the five MSAs listed.

² For example, Bell South has signed interconnection agreements with MCI Metro, Intermedia and ACS in Charlotte and in Atlanta; Bell Atlantic has signed agreements with Eastern Telelogic and MFS in Pittsburgh; Ameritech has signed an agreement with Time Warner in Cleveland; and SBC has signed numerous agreements throughout Texas.

On the surface, the election of price cap regulation might seem to be a logical response for ALLTEL. The federal price cap plan, however, was never designed for companies such as ALLTEL. ALLTEL does not have the levels of sustainable efficiencies inherent in the current productivity offset. This, coupled with the limited degree of pricing flexibility and the inability to realize any upside earnings potential, has made price caps a lackluster regulatory option. Further, the FCC's Rules require that price cap regulation must be elected for all study areas, i.e., on an "all or nothing" basis.³ ALLTEL serves diverse geographic areas. Many of our existing exchanges are not contiguous and are dispersed throughout a state. Customer or line density, a primary cost driver, is widely variant in the ALLTEL system with some exchanges serving as few as twenty (20) lines per square mile and others serving close to seven thousand (7,000) lines per square mile. This variation undermines ALLTEL's election of price caps.

Access customers are almost solely price driven and make their access buying decisions based on the requirements of a particular market. They are largely unsympathetic to the regulatory constraints of averaging or public policy imposed on the incumbent LECs by the current access charge structure. In correcting its access charge plan, the Commission needs to be cognizant of the characteristics of the access providers. A "one size fits all" solution, such as the current price cap plan, is not the correct approach for the ALLTEL Companies.

³ 47 CFR §61.41(b).

B. Rate of Return Companies are not Exempt from Competition or Competitors

The Commission, in paragraph 52 of the NPRM, appears to conclude that non-price-cap companies, such as ALLTEL, are in some way protected from the immediate impacts of a competitive telecommunications industry. This is incorrect. Any so-called "protection" afforded the rate of return LECs is thin at best. Already, some states, such as Illinois, have indicated that competition should proceed in rural markets as quickly as possible. Moreover, the Commission in its First Report and Order in the Interconnection proceeding placed the burden of proof for any Section 251(f) suspension, exemption, or modification on the incumbent rural or two-percent (2%) LEC.⁴

Furthermore, as pointed out earlier, rate of return LEC markets that are adjacent to major metropolitan areas can be expected to become targets of opportunity because this adjacency creates very low economic and/or financial thresholds for competitors to overcome. These competitors will be large, multi-product firms with a variety of telecommunications services to offer. They are not competing solely for local, access, or toll services. They are targeting high volume retail customers with a complete package of telecommunications services. This is "one stop" shopping. These firms are unconstrained by any boundaries - real or virtual - and they have considerable market power in addition to economies of scale and scope.

⁴ First Report and Order at para. 1262.

The Commission, as well as the 96 Act, has imposed numerous pro-competition requirements on incumbent LECs without regard for regulatory construct. These include the requirements of Section 251(b) as they relate to number portability, dialing parity, and access to rights of way. Many of these pro-competition requirements exist absent even a request for the capability. The implementation of these capabilities is not without cost, yet the Commission imposed them without providing for additional flexibility and/or reduced regulation for the incumbent rate of return LECs. Entrants into these markets receive the best of all worlds -- an in-place, advanced, "competitor friendly" network, and an incumbent LEC disadvantaged by a restrictive and outdated regulatory scheme.

In short, before continuing down the path to delaying access reform for rate of return LECs, it is important that the Commission step back and consider the uncertainties and disincentives which rate of return LECs currently face:

- An ill-conceived interconnection and resale plan
- An uncertain (and potentially limited) universal service plan
- Competitive entry by companies many times larger than they are⁵
- An existing price cap plan targeted to larger LECs

ALLTEL believes that when all of these factors are properly considered, they underscore the need for a realistic market-based approach to access reform for rate of return LECs.

⁵ According to published financial reports, at year end 1995, AT&T had assets of \$88.9 B, MCI had assets of \$19.3B, and Time Warner had assets of \$22.1B. ALLTEL, in contrast, had assets of \$5.1B.

C. The Current Access Charge Structure Needs Revision

ALLTEL agrees with the Commission that the current access charge structure creates rates that are unrelated to underlying costs. (NPRM - p. 7) It is the misallocation of these access costs to the various access rate elements that creates the distortions between costs and price. These misallocations, many of which are intended to foster universal service, stem from a variety of policy decisions at both the state and federal levels. Access charge revenues have made a considerable contribution to universal service and other policy goals. In ALLTEL's case, roughly fifty percent (50%) of our regulated telephone operating revenues are derived from access charges. Some of our access charges contain subsidies that are directly linked to the achievement of social goals at both the federal and state levels. ALLTEL's access costs are nonetheless actual and real. These costs must be recovered if the ALLTEL Companies are to be lasting competitors.

The Commission must not presume that rate of return LECs have a guaranteed revenue stream from access. The ALLTEL Companies are in a competitive environment. Without considerable changes to the current access rate structure, their access revenue streams will diminish rapidly.

**II. MODIFICATIONS ARE REQUIRED TO THE CURRENT
INTERSTATE ACCESS RATE STRUCTURE FOR ALL LECs**

Even with consistent access rate reductions, ALLTEL's access rates are often three to four times higher than those of the neighboring RBOC. This stems not only

from distortions in the access rate structure, but also from the averaging requirements imposed on rate of return LECs.

A. The Current Non-Traffic Sensitive ("NTS") Rates are Economically Inefficient

As the Commission has noted at page 29 of the NPRM, the costs associated with the local loop are non-traffic sensitive, but its Rules require that a portion of those costs be recovered through per-minute charges. The Commission now seeks rate structure changes that send more accurate pricing signals. NTS loop cost recovery is a good starting point.

ALLTEL's current NTS recovery is:

Interstate Common Line Revenue Requirement

Subscriber Line Charges ("SLC")	52%
Carrier Common Line Charges ("CCL")	30%
Long Term Support (from universal service) ("LTS")	<u>18%</u>
Total Interstate Common Line	100%

The Commission has laid out several proposed alternatives for recovery of the SLC portion of subscriber loop costs. One such proposal is to place more of the burden of NTS loop cost recovery on the end-user through changes in the SLC as applied to second residential lines and multi-line businesses. ALLTEL opposes any change to the current application of SLCs. ALLTEL's current customer base is made up primarily of residential and small business end-users. Any change in the current application of the SLCs may be perceived as an unwarranted local rate increase and cause end users to make incorrect economic decisions regarding telecommunications service. In

addition, any change in the SLC, as applied to second access lines, poses administrative problems in terms of LEC identification of those lines.

ALLTEL recognizes that the current SLC reflects a subsidy flowing from urban to rural areas. In an effort to eliminate this imbalance, ALLTEL would support geographic deaveraging of the SLC. A deaveraged SLC should be based on three pricing zones at a minimum. SLC revenues should continue to maintain the same level of contribution towards the common line revenue requirement as they do today.

For the recovery of the remaining CCL costs, ALLTEL advocates replacing the current per minute of use charge with a recovery mechanism designed to send accurate price signals to both consumers and competitors. Although the Joint Board proposed flat per line charges based on presubscribed lines,⁶ ALLTEL opposes this recommendation, in part. First of all, the imposition of an additional common line charge directly to the end user who elects not to select a PIC results in an effective SLC increase for that end-user and poses an additional administrative burden on the incumbent LEC to accomplish this billing. The subscriber loop costs should be borne by all users of the loop, including the IXC's. Second, assessing the charge on the basis of presubscribed lines fails to address 10XXX dial-around usage and potentially provides a disincentive for IXC's to compete for lower volume long distance users.

⁶ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Recommended Decision, at par. 776, FCC 96J-3 (rel. Nov. 8, 1996).

In lieu of a charge per presubscribed line, ALLTEL believes that a bulk billing approach based on an IXC's percentage share of historical interstate minutes of use would eliminate the problems discussed above.

B. The Current Local Switching Rate Structure Requires Adjustment

ALLTEL supports a new flat rate element for the NTS portion of local switching costs associated with line cards. That new rate element should be established and billed to an IXC based on its percentage of interstate minutes of use. NTS local switching costs make up thirty-one percent (31%) of ALLTEL's interstate local switching revenue requirement. Creation of this new rate element would not only recover costs in the way that they are incurred, but would also align the access rate structure with the unbundled network element charge structure established by the Commission in its First Report and Order in the Interconnection proceeding.

C. The Current Transport Rate Structure and the Tandem Interconnection Charge ("TIC") Must be Revised

The Commission has stated its intent that any rule changes regarding the transport rate structure or the TIC adopted in this proceeding should apply to all LECs, including rate of return companies. (NPRM p. 44) ALLTEL believes that the current transport rate structure with charges for entrance facilities, direct-trunked transport and tandem-switched transport is appropriate and economically efficient. However, the current method of setting tandem-switched transport rates based upon nine thousand (9000) minutes of use per month results in arbitrarily low tandem-switched transport rates and in an increased amount of transport costs left to be recovered through the

TIC. Data for the ALLTEL Companies indicates that usage of the tandem-switched trunks amounts to approximately four thousand (4000) minutes per month, per trunk. Consequently, the use of this figure would accurately assign tandem-switched transport costs for the ALLTEL Companies.

The TIC has been described as a non-cost based charge, however, as noted by the Court of Appeals in CompTel v. FCC, the Commission has recognized that the costs assigned to the TIC are real costs.⁷ ALLTEL has identified the costs that make-up the TIC. Some of the identified costs components of the TIC can be easily reassigned. This is demonstrated in the following chart:

TIC Analysis: ALLTEL

<u>Cost Component</u>	<u>% of TIC</u>	<u>Correction</u>
Tandem revenue requirement	6.5%	Assign to tandem switched transport
Use of 9000 minutes per tandem trunk	33%	Use of 4000 minutes per tandem trunk
Part 36 and public policy allocations	60.5%	Interim: continue to charge TIC on this level Permanent: separations reform

⁷ Competitive Telecommunications Association v. FCC 87 F. 3d 522, (D.C. Cir. 1996) (Comp Tel v. FCC).

Thus, forty percent (40%) of the TIC can be reduced by logical reassignment. The remaining sixty percent (60%) of the cost recovery associated with the TIC awaits separations reform.

III. SWITCHED ACCESS RATE REDUCTIONS SHOULD BE RESTRICTED TO ADJUSTMENTS FOR LONG TERM SUPPORT ("LTS") AND DEM WEIGHTING

In the NPRM, the Commission asks for comment on how proposed changes to the universal service support mechanism should be addressed in Part 69 for non-price cap LECs. (NPRM p. 107-108) As noted by the Commission in the NPRM, the Joint Board has proposed the explicit recovery of LTS and the DEM weighting mechanism. (Id. at 22) Currently, the two implicit subsidies are reflected in the access rates of each LEC. Once these subsidies are transitioned to the high cost universal service fund, there will be, and should be, a corresponding dollar-for-dollar reduction in the associated access rates. In ALLTEL's view, the LTS and the DEM weighting mechanism are the only components of the proposed universal service plan that have a direct relationship to access rates. Other universal service support components are designed to offset the cost of providing local service in high cost areas and, as such, do not require a corresponding reduction in access rates.

IV. The FCC Should Move Expeditiously to Provide Regulatory Relief to Rate of Return LECs

As previously pointed out, ALLTEL has, for a variety of reasons, been unable to elect price cap regulation. The ALLTEL Companies serve a larger number of rural areas than the larger price cap LECs. ALLTEL does not serve any city centers having

a population in excess of one hundred thousand (100,000), but we do have markets that adjoin these areas. The geographic areas served by each of the ALLTEL Companies are often not contiguous which makes it difficult for them to achieve the economies of scale and scope enjoyed by the larger price cap LECs.

ALLTEL also has a lower percentage of low cost/high margin customers as reflected in our relatively lower business-to-residence ratios. The calling patterns are imbalanced with roughly sixty percent (60%) of all traffic moving in the originating direction. A lack of sheer size also leave us at a disadvantage. Although operating efficiently, ALLTEL has relatively greater common costs than the RBOCs and less purchasing power. Nonetheless, ALLTEL is still faced with the same competitive pressures as the larger LECs. IXC's, such as AT&T and MCI, do not question the form of regulation when making access purchases. Instead, they question the price levels for the relevant market. The requirement to average access prices across a study area subjects the low cost/high margin customers within ALLTEL's markets to intense competitive pressures. As these customers implement their alternatives, there is a "spiraling" effect which pushes additional costs to the next tier of customers and creates a new "artificial margin" that is pro-competitor rather than pro-competition. Absent access reform, ALLTEL will continue to be disadvantaged relative to both new entrants and price cap LECs.

ALLTEL needs the freedom to respond to competition in our denser markets. However, neither the market approach nor the prescriptive approach proposed by the

Commission works for ALLTEL. ALLTEL needs the ability now to price access flexibly. It is unnecessary for the Commission to construct elaborate regulatory schemes for the rate of return LECs. ALLTEL has no market power in the access realm. Existing and potential competitors abound. Wireless and cable services provide substitutable services. IXC's monitor our access rates closely and carefully choose between ordering services provided via dedicated circuits or switched access or through alternate facilities. IXC's also have direct contact with our customers through their provision of long distance services. This allows them to continually "take the pulse" of these customers and attempt to correct imbalances by pressuring ALLTEL to adjust its access rates.

Competitors contend that incumbent LECs have bottleneck facilities, and therefore, enjoy an unfair competitive advantage. While even small LECs have some advantages associated with their incumbency, this in no way translates to an ability to control prices. ALLTEL does not have the financial reserves nor the cost economies to block entry through any form of anti-competitive pricing. The market for telecommunications service is national, if not global, in scope. The relatively small piece of the network controlled by ALLTEL and the related prices charged for that network have a negligible impact on the provision of broadly-based telecommunications service. In the evolving telecommunications market, the product has become an integrated package of services, including local calling, exchange access, long distance,

internet access, and wireless communications. When the ALLTEL Companies are viewed in this light, their lack of market power is evident.

The current rigid rate structure of the FCC's Part 69 rules offers only the most limited pricing flexibility to rate of return LECs. To overcome this, as a starting point, ALLTEL proposes that the rate elements currently contained in Sections 69.106 - 69.112 of the Commission's Rules should be combined to form an access category for traffic sensitive switched access. This category would then be composed of the costs constituting the current local switching, transport, and information elements. This would permit the ALLTEL Companies to align their rates with those of larger neighboring LECs.

ALLTEL also proposes that the Commission immediately eliminate its requirement that an incumbent LEC obtain a Part 69 waiver or a rule change before it can introduce any new services. This would give ALLTEL the flexibility to offer new access services, create new rate elements, and price existing elements in a market responsive fashion.

Additionally, access prices need to be deaveraged on a geographic basis as well as a customer type/size basis. This deaveraging would be predicated on cost-causative principles. ALLTEL's current inability to establish prices in the same manner as its competitors sends improper entry and exit signals to customers and competitors alike. Without pricing flexibility, the ability of rate of return LECs to remain viable entities is tied to regulators.

Ultimately, all trappings of regulation need to be removed. As pointed out earlier, rate of return LECs have no market power; hence, the "triggers" proposed in the FCC's NPRM are overkill. ALLTEL has no services that can be leveraged by altering access prices. We are in no position to actively use prices to inappropriately meet financial or market share goals. ALLTEL has, in fact, decreased access rates by nearly thirty percent (30%) over the last three years. It would be counter-intuitive for us to raise access prices in the current environment.

ALLTEL does not have the market power nor the pricing control to disadvantage our customers or competitors. ALLTEL urges the FCC to move now to a flexible pricing scheme for the provision of interstate access, closely followed by an expedited process for removing these services from regulation.

ALLTEL is anxious to work with the Commission in addressing the necessary components of a plan that will promote a pro-competition environment in which rate of return LECs are vigorous, active participants.

CONCLUSION

ALLTEL urges the Commission not to delay access reform for rate of return LECs, such as ALLTEL. As demonstrated above, we are not exempt from competition either from existing carriers or new entrants. It is imperative that we have pricing flexibility now in order to remain viable participants in the marketplace.

Respectfully submitted,
ALLTEL Telephone Services Corporation

By: Carolyn C. Hill
Carolyn C. Hill
Its Attorney

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Dated: January 29, 1997